



DAILY OVERVIEW

OF GLOBAL MARKETS & THE SEE REGION

Monday, February 20, 2017

KEY UPCOMING DATA & EVENTS THIS WEEK

GLOBAL

US

- Feb 20: Presidents Day Holiday
- Feb 22
 - Existing home sales (Jan)
 - FOMC meeting minutes
- Feb 23
 - Initial jobless claims (weekly)
- Feb 24
 - New home sales (Jan)
 - UoM consumer sentiment (Feb, f)

EUROZONE

- Feb 20: Consumer confidence (Feb)
- Feb 21: PMI manufacturing & services (Feb)
- Feb 22
 - DE: Ifo (Feb)
 - HICP (Jan, f)
- Feb 23
 - DE: GDP (Q4)
 - HICP (Jan, f)

GREECE

- Feb 20
 - Eurogroup
 - Current account deficit (Dec)
- Feb 24: Credit rating review by Moody's & Fitch

CYPRUS

- Feb 21: HICP (Jan)

SEE

BULGARIA

- Feb 20: 0.3% 2021 T-bonds auction

ROMANIA

- Feb 23: 5.8% 2027 T-bonds auction

SERBIA

- Feb 21: 2.50% 2022 T-bonds auction
- Feb 23
 - 5.75% 2023 T-bonds auction
 - HICP (Jan)
- Feb 24
 - Gross wages (Jan)
 - PPI (Jan)

Source: Reuters, Bloomberg,
Eurobank Research

HIGHLIGHTS

WORLD ECONOMIC & MARKET DEVELOPMENTS

GLOBAL MARKETS: Political uncertainty is focused on France following news that the candidate of the socialist party for the upcoming presidential election, Benoit Haman, is in talks with the candidate of the far-left party, Jean-Luc Melenchon, aiming to form an alliance behind one candidate. On the view that such a development, if realized, could potentially increase the chances of the National Front party winning at the second round on May 4, the EUR was under pressure while German government bonds retained a firm tone. With investors looking for signals over the timing of the next Fed rate hike, focus this week is on Wednesday's release of the FOMC meeting minutes.

GREECE: The Eurogroup that is scheduled to convene today will take stock of the ongoing implementation of Greece's macroeconomic adjustment programme focusing on plans to carry forward the second review of the programme. The best possible outcome today would be a decision for the institutions' technical staff to return to Athens with an aim to reach a Staff Level Agreement in March. Such an outcome may come about if Greece and the official lenders agree at least on a general framework of measures to be legislated upfront. The specification of the measures will take place once the technical staff return to Athens and determine whether the fiscal over-performance in 2016 was of a temporary or sustainable nature.

SOUTH EASTERN EUROPE

BULGARIA: The local equity market closed in red territory last week as illiquidity and lack of corporate triggers dampened investor sentiment, despite upbeat macro data for the country including a 3.4% GDP growth print for Q4 2016. Meanwhile, the domestic and external bond markets closed little changed.

ROMANIA: The EUR/RON progressively moved higher over the past week following Central Bank comments that there is no room for further appreciation of the local currency. Separately, near-term RON rates remained close to the central bank's deposit facility of 0.25% and RON government bonds ended little changed.

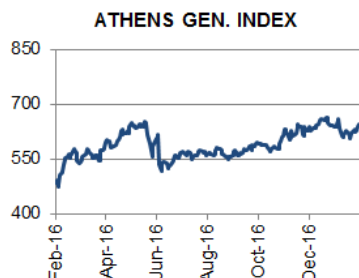
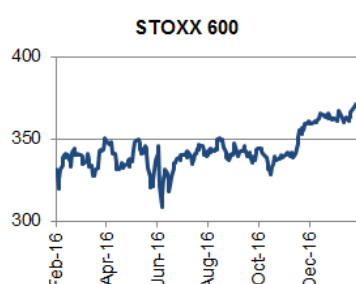
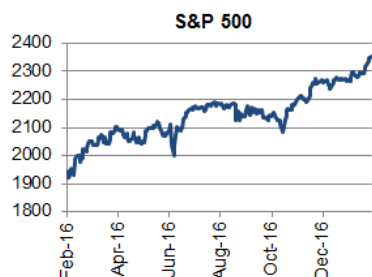
SERBIA: The EUR/RSD closed at 123.85/05 on Friday, little changed on a weekly basis, remaining bound within a tight range of 123.80/00 - 123.90/10. Recent news regarding the Serbian presidential election appeared to have a limited impact on the FX markets.

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Latest world economic & market developments

GLOBAL MARKETS



Source: Reuters, Bloomberg, Eurobank Research

Political uncertainty is focused on France following news that the candidate of the socialist party for the upcoming presidential election, Benoît Hamon, is in talks with the candidate of the far-left party, Jean-Luc Mélenchon, aiming to form an alliance behind one candidate. On the view that such a development, if realized, could potentially increase the chances of the National Front party winning at the second round on May 4, the EUR weakened and German government bonds firmed. The EUR/USD was hovering around 1.0620/25 in European trade, not very far from a five-week low of 1.0520 recorded a few sessions ago following a spike to 1.0675 on Friday while the dovish tone of the ECB Minutes from the mid-January monetary policy meeting that were released late last week, continued to weigh on the common currency. The 10-yr German Bund yield was standing close to 0.31% at the time of writing, within distance far from a two-week closing low of 0.30% in the prior session after a hitting a multi-session high slightly above 0.39% mid-last week following the upward move in US Treasury yields in the wake of the more hawkish than expected tone Fed Chair Janet Yellen adopted at its semi-annual testimony. France's 10-yr bond yield was 9bps higher compared to Friday's settlement with the spread against its German counterpart hovering around 74bps, not much changed relative to Friday's close but around 5.5bps wider compared to levels a week earlier. Meanwhile, the GBP was under pressure on the back of Friday's disappointing UK retail sales data for January which revealed an unexpected decline as higher inflation takes its toll on consumer spending. The GBP/USD was standing close to 1.2450/70 in European trade, having retreated from last week's peak of 1.2550. With investors looking for signals over the timing of the next Fed rate hike, focus this week is on Wednesday's release of the FOMC meeting minutes. US markets are closed today for Presidential Day.

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GREECE

The Eurogroup that is scheduled to convene today, among others will take stock of the ongoing implementation of Greece's macroeconomic adjustment programme focusing on plans to carry forward the second review of the programme. The best possible outcome today would be a decision for the institutions' technical staff to return to Athens with an aim to reach a Staff Level Agreement in March. Such an outcome may come about if Greece and the official lenders agree at least on a general framework of measures to be legislated upfront. The specification of the measures will take place once the technical staff return to Athens and determine whether the fiscal over-performance in 2016 was of a temporary or sustainable nature. According to local press, creditors request the upfront legislation of the decrease of the tax-free threshold effective from 2018 and the reduction of pensions through the abolishment of the "personal difference" effective from 2019 and implemented gradually until 2022. On its part, the Greek government is said to prefer the reduction of pensions to be included in the contingent fiscal mechanism so as to take effect only if the primary surpluses fall short of the agreed targets. At the same time, the Greek side reportedly requests the upfront legislation of offsetting measures to be implemented if primary surpluses exceed the set targets. Such measures could include the decrease of corporate and personal income taxes, the support of the social solidarity income, the clearance of state arrears and the reduction of social security contributions of wage earners and freelancers. Meanwhile, according to the IMF European Department Director Poul Thomsen, the Fund may revise its projections for Greece and consequently its debt sustainability analysis, if they are proven to be too pessimistic. Such a revision could potentially be released in the IMF's biannual World Economic Outlook report, due in mid-April.

February 20, 2017

BULGARIA: Indicators	2015	2016e	2017f
Real GDP growth %	3.6	3.5	3.0
CPI (pa, yoy %)	-0.1	-0.7	0.6
Budget Balance/GDP*	-2.9	-0.8	-1.4
Current Account/GDP	0.4	3.0	1.5
EUR/BGN (eop)	1.9558		
	2015	current	2016
Policy Rate (eop)	N/A	N/A	N/A

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

CYPRUS: Indicators	2015	2016e	2017f
Real GDP growth %	1.7	2.8	3.0
HICP (pa, yoy %)	-1.5	-1.1	0.5
Budget Balance/GDP*	0.0	-0.3	-0.6
Current Account/GDP	-3.0	-2.8	-3.3

* ESA 2010

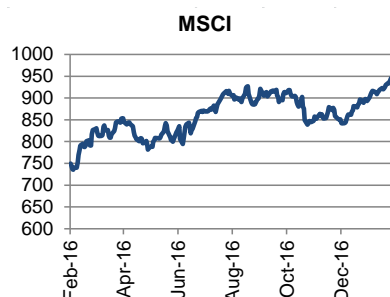
Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

ROMANIA: Indicator:	2015	2016e	2017f
Real GDP growth %	3.7	5.0	3.5
CPI (pa, yoy %)	-0.6	-1.8	1.5
Budget Balance/GDP*	-1.9	-2.8	-3.7
Current Account/GDP	-1.1	-3.0	-3.2
EUR/RON (eop)	4.48	4.54	4.60
	2015	current	2016
Policy Rate (eop)	1.75	1.75	1.75

* on a cash basis

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

SERBIA: Indicators	2015	2016e	2017f
Real GDP growth %	0.8	2.7	3.0
CPI (pa, yoy %)	1.4	1.0	2.1
Budget Balance/GDP	-3.7	-2.1	-1.7
Current Account/GDP	-4.7	-4.1	-3.9
EUR/RSD (eop)	121.38	123.40	125.5
	2015	current	2016
Policy Rate (eop)	4.25	4.00	4.00

Source: Reuters, Bloomberg, Eurobank Research,
National Authorities

Credit Ratings			
L-T ccy	Moody's	S&P	Fitch
SERBIA	B1	BB-	BB-
ROMANIA	Baa3	BBB-	BBB-
BULGARIA	Baa2	BB+	BBB-
CYPRUS	B1	BB-	B+

Source: IMF, EC, Reuters, Bloomberg, National
Authorities, Eurobank Research

Latest economic & market developments in the CESEE region

BULGARIA

The local equity market closed in red territory last week as illiquidity and lack of corporate triggers dampened investor sentiment, despite upbeat macro data domestically including a 3.4% GDP growth print for Q4 2016. Along these lines, the main SOFIX index lost 1.2% on a weekly basis to end at 597.01 points on Friday. Investors remained in a wait-and-see mode ahead of the looming annual consolidated financial reports. Meanwhile, the domestic bond closed little changed last week, with yield curve slightly flexing downwards by 4 bps in the long-end. Eurobonds closed the week broadly unchanged. We expect to see significant investor demand on today's auction for BGN 60 mn in 4-year paper in light of the poor supply on the primary market planned in 2017.

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ROMANIA

The EUR/RON progressively moved higher over the past week following Central Bank comments that there is no room for further appreciation of the local currency. Along these lines, the cross moved from the previous week's close of 4.5000 to a week's high of 4.5270 at Friday's settlement. Separately, near-term RON rates remained close to the central bank's deposit facility of 0.25%. The 1W implied rate from swaps rose 5 bps on the week to 0.30%, 3M increased 5 bps to 0.65%, while the 12M rate moved from 1.08% to 1.18%. RON government bonds ended little changed, with some selling on Monday having quickly reversed, to close the week roughly flat.

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SERBIA

The EUR/RSD closed at 123.85/05 on Friday, little changed on a weekly basis, remaining bound within a tight range of 123.80/00 - 123.90/10. Recent news regarding the Serbian presidential election appeared to have a limited impact on the FX markets. In more detail, Serbian Progressive Party's (SNS) presidency rejected a request from incumbent President Tomislav Nikolic to be the party's candidate in the upcoming elections and unanimously proposed the nomination of SNS leader and Prime Minister Aleksandar Vucic. Despite current political uncertainty, we stick to the view that the EUR/RSD will continue to hover within limited trading range around 124.00 (123.70-124.20) as the Central Bank is very likely to prevent any attempt of the pair moving higher.

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February 20, 2017

GLOBAL MARKETS

Stock markets				FOREX			Government Bonds				Commodities				
	Last	ΔD	ΔYTD		Last	ΔD	ΔYTD	(yields)	Last	ΔDbps	ΔYTD bps		Last	ΔD	ΔYTD
S&P 500	2351.16	0.2%	5.0%	EUR/USD	1.0623	0.1%	1.0%	UST - 10yr	2.41	0	-3	GOLD	1236	0.1%	7.2%
Nikkei 225	19251.08	0.1%	0.7%	GBP/USD	1.2467	0.5%	0.9%	Bund-10yr	0.31	1	11	BRENT CRUDE	56	0.8%	-1.0%
STOXX 600	371.07	0.2%	2.7%	USD/JPY	113.16	-0.3%	3.4%	JGB - 10yr	0.10	1	6	LMEX	2873	-0.8%	8.0%

CESEE MARKETS

SERBIA

Money Market

BELIBOR	Last	ΔDbps	ΔYTD bps
T/N	298	-1	-2
1-week	3.07	-2	-10
1-month	3.35	-1	0
3-month	3.55	2	8
6-month	3.70	2	4

RS Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RSD	5.08	0	-1
5Y RSD	5.46	0	10
7Y RSD	5.71	0	8

RS Eurobonds

	Last	ΔDbps	ΔYTD bps
USD Nov-17	2.09	0	-24
USD Nov-24	6.50	1	8

CDS

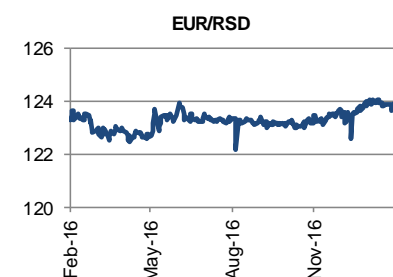
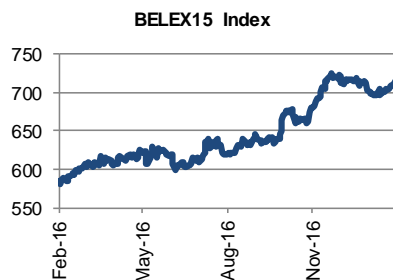
	Last	ΔDbps	ΔYTD bps
5-year	205	1	-2
10-year	248	1	-8

STOCKS

	Last	ΔD	ΔYTD
BELEX15	713.6	0.53%	-0.52%

FOREX

	Last	ΔD	ΔYTD
EUR/RSD	123.90	0.26%	-0.36%



ROMANIA

Money Market

ROBOR	Last	ΔDbps	ΔYTD bps
O/N	0.42	0	-14
1-month	0.63	0	-13
3-month	0.83	0	-7
6-month	1.05	0	-6
12-month	1.24	1	-1

RO Local Bonds

	Last	ΔDbps	ΔYTD bps
3Y RON	1.65	0	3
5Y RON	2.64	0	12
10Y RON	3.61	1	-4

RO Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Oct-25	2.11	0	-2
USD Jan-24	3.62	-1	-23

CDS

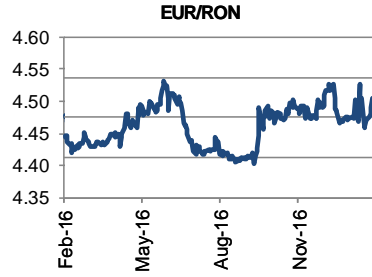
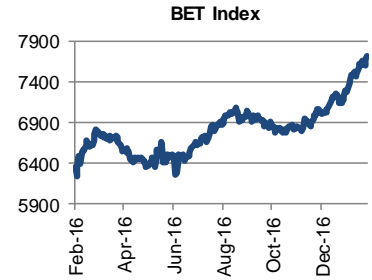
	Last	ΔDbps	ΔYTD bps
5-year	95	-1	-14
10-year	139	-1	-14

STOCKS

	Last	ΔD	ΔYTD
BET	7774.9	0.38%	9.74%

FOREX

	Last	ΔD	ΔYTD
EUR/RON	4.5205	0.10%	0.41%



BULGARIA

Money Market

SOFIBOR	Last	ΔDbps	ΔYTD bps
LEONIA	-0.09	0	-9
1-month	-0.17	0	0
3-month	-0.08	0	-1
6-month	0.06	0	-2
12-month	0.40	0	-1

BG Local Bonds

(yields)	Last	ΔDbps	ΔYTD bps
3Y BGN	0.12	1	-3
5Y BGN	0.38	-3	-13
10Y BGN	1.70	0	-20

BG Eurobonds

	Last	ΔDbps	ΔYTD bps
EUR Jul-17	-0.78	10	-45
EUR Sep-24	1.65	0	-3

CDS

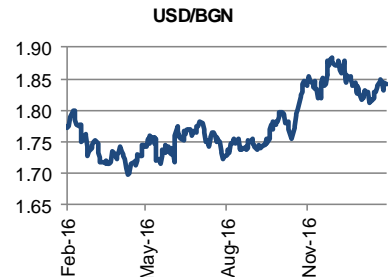
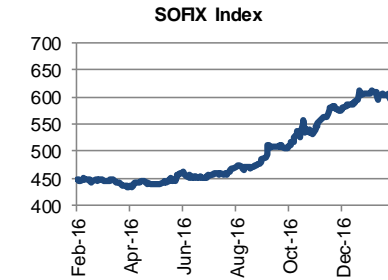
	Last	ΔDbps	ΔYTD bps
5-year	118	1	-34
10-year	159	1	-35

STOCKS

	Last	ΔD	ΔYTD
SOFIX	604.2	1.20%	3.03%

FOREX

	Last	ΔD	ΔYTD
USD/BGN	1.8412	0.09%	0.93%



Source: Reuters, Bloomberg, Eurobank Economic Analysis and Financial Markets Research
Data updated as of 12:50 EET

February 20, 2017

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